

BUDGET LETTER

SUBJECT: 2009-10 BUDGET CHANGE LETTERS (FINANCE LETTERS)	NUMBER: 09-01 DATE ISSUED: January 21, 2009
REFERENCES:	SUPERSEDES: BL 08-02

TO: Agency Secretaries
Agency Information Officers
Department Directors
Departmental Budget Officers
Departmental Chief Information Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Each department with a Capital Outlay program should provide a copy of this Budget Letter (BL) to its facility manager.

FINANCE LETTERS

Given that California faces the most challenging budget in its history due to deteriorating economic conditions, the 2009-10 Governor's Budget proposes a comprehensive set of solutions not only to address the current shortfall, but also makes significant progress in closing future years' operating deficit.

The proposed budget imposes painful but necessary spending reductions in the current and budget years while protecting and preserving essential state services to the maximum extent possible. The budget gap is too large to be addressed through spending cuts alone, thus it also includes revenue increases, borrowing, and cash management strategies. The budget proposes a balanced approach that utilizes each of those types of solutions. The sheer magnitude of the shortfall requires reductions not only in services to the public, but also proposes cost savings in the way the state provides services by consolidating administrative functions and reducing the size and cost of the state's workforce.

Due to the fiscal limitations facing the state, the Administration will reject any augmentation requests without critical and compelling justifications when evaluating the Spring Finance Letters.

As departments prepare Spring Finance Letters, these rules must be strictly applied:

- All General Fund cost proposals must be self-funded, or the Department of Finance (Finance) will immediately return the requested Finance Letter(s) without review. The only exception will be for unavoidable costs necessary to address an immediate and serious threat to public health or safety, and that cannot be funded by redirecting resources from lower priority programs.
- Non-General Fund proposals must not be submitted unless they cannot be deferred to the 2010-11 budget process without resulting in extreme adverse consequences. The requests must include full and clear justification demonstrating the criticality of the proposals and the adverse consequences of deferring to the 2010-11 process.

- Departments must not rely on providing subsequent backup material to respond to Finance inquiries to provide needed justification for the request. There simply is not sufficient time to explain and refine every proposal through a question and answer process. The focus this year must be on finding and implementing solutions to balance the budget. Requests which are incomplete by virtue of failing to provide relevant information will be returned to departments without analysis.
- Except as noted below, the deadline for all requests is Friday, February 13, 2009.

Compliance with the February 13 deadline is critical to allow the Administration to submit Budget modifications to the Legislature in a timely manner, consistent with Government Code Section 13308. This statute requires Finance to provide to the Legislature, by April 1, all proposed policy adjustments with the exception of enrollment/caseload/population (ECP) driven changes in the May Revision and Capital Outlay adjustments.

Similar to past years, the form (DF 46) used to prepare non-capital outlay Finance Letter requests requires your department's Chief Information Officer to review and sign all Finance Letter requests with information technology (IT) components prior to submission to Finance. The latest version of the form is available either entirely in Word format or as a combination of a Word document (text portions) and an Excel spreadsheet (fiscal detail). Departments may obtain both versions and instructions for completion of the DF 46 forms via:

- A Word or a Word/Excel document downloaded or a hard copy printed from the Finance BL website at: http://www.dof.ca.gov/html/budletr/forms/fin_form.htm.

Do not submit Finance Letter requests electronically. Hard copy submittals are still required.

INFORMATION TECHNOLOGY FINANCE LETTERS

Finance Letters requesting funding for critical IT projects require Office of the State Chief Information Officer (OCIO) approval of a Feasibility Study Report (FSR), Special Project Report (SPR), or equivalent document. Pursuant to Government Code 11545, et seq, (Chapter 183, Statutes of 2007 (Senate Bill 90)), the OCIO is responsible for approving and overseeing IT projects. Therefore, departments are required to submit electronic copies of FSRs, SPRs, or equivalent documents to the OCIO. Per the State Administrative Manual Section 4928, each state agency must also submit copies to the Legislative Analyst's Office, and, as applicable to the Department of General Services. Departments were required to submit FSRs, SPRs, or equivalent documents to the OCIO no later than January 16, 2009 (unless otherwise exempted by the OCIO), in order for Finance to consider the associated IT Finance Letter requests. Comprehensive information for IT project reporting, including instructions to assist departments in meeting OCIO reporting requirements, can be found in the Statewide Information Management Manual located at <http://www.cio.ca.gov/ITpolicy/SIMM.html>.

CAPITAL OUTLAY FINANCE LETTERS

Capital Outlay Finance Letter requests for FY 2009-10 must include fiscal impact worksheets (FIW) DF-150 and must be provided in both hard copy and electronically via e-mail. **All fiscal detail related to Capital Outlay Finance Letter requests that are not technical in nature must be entered in column F (April 1 Action) in the FIW (Excel spreadsheet).** The FIW and COBCP forms can be found at: http://www.dof.ca.gov/html/budletr/forms/fin_form.htm.

Government Code Section 13308 requires all proposed appropriations adjustments to the Governor's Budget for capital outlay be submitted to the Legislature by May 1. Traditionally, the May Technical Letter includes updates to reflect new budget package information, reversions associated with project terminations, and reappropriations to reflect unanticipated changes in project schedules. **Departments must submit May Technical Letter requests to Finance by March 13, 2009.** All fiscal detail related to Capital Outlay Technical Finance Letter requests must be entered in Column G (May 1 Action) in the FIW (Excel spreadsheet).

MAY REVISION

Government Code Section 13308 requires submission of the traditional May Revision to the Legislature by May 14. The traditional May Revision includes updated estimates of revenues; proposals to adjust expenditures to reflect updated revenue estimates, if necessary; and proposals to adjust Proposition 98 and ECP programs. Departments traditionally affected by ECP changes should discuss with the Finance budget analyst appropriate submission dates to ensure compliance with the May Revision deadline. It is likely that any significant ongoing cost increases submitted for the May Revision will have to be offset by ongoing savings in the submitting department.

If you have any general questions, please contact your Finance budget analyst. Contact your OCIO manager or capital outlay analyst for questions related to IT or capital outlay requests, respectively.

/s/ Michael C. Genest

MICHAEL C. GENEST
Director